BROCTAGON PRIME LTD

DISCLOSURE AND MARKET DISCIPLINE REPORT FOR 2020

May 2021

Regulated by the Cyprus Securities and Exchange Commission License no. 320/17

The Disclosure and Market Discipline Report for the year 2020 has been prepared by BROCTAGON PRIME LTD as per the requirements of Regulation (EU) No. 575/2013 issued by the European Commission and the Directive DI144-2014-14 issued by the Cyprus Securities and Exchange Commission.

BROCTAGON PRIME LTD states that any information that was not included in this report was either not applicable on the Company's business and activities -OR- such information is considered as proprietary to the Company and sharing this information with the public and/or competitors would undermine our competitive position.

BROCTAGON PRIME LTD is regulated by the Cyprus Securities and Exchange Commission under License number 320/17.

Contact Us	
Address	Christou Samara 2, Morfo Court, Mesa Geitonia, 3rd Floor, Office 31 Limassol, CY-4001
Telephone	+357 25 26 22 11
Fax	+357 25 35 44 33
Web site	www.broprime.com
Email	info@broprime.com

Board of Directors declaration on the adequacy of risk management arrangements of the institution

The Board of Directors is ultimately responsible for the risk management framework of the Company. The Risk Management framework is the sum of systems, policies, processes and people within the Company that identify, assess, mitigate and monitor all sources of risk that could have a material impact on the Company's operations.

The Board of Directors approves in full the adequacy of Risk Management arrangements of the institution providing assurance that the risk management systems in place are adequate with regards to the institution's profile and strategy.

TABLE OF CONTENTS

1. Introduction

1.1. Investment Firm

Table 1: Company information

Company name	BROCTAGON PRIME LTD
CIF Authorization date	20/04/2017
CIF License number	320/17
Company Registration Date	19/09/16
Company Registration Number	HE 360194
Investment Services	
Reception and transmission of orders in relation to one or more financial instruments	
Execution of Orders on Behalf of Clients	
Dealing on Own Account	
Ancillary Services	
Safekeeping and administration of financial instruments, including custodianship and related services	
Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction	
Foreign exchange services where these are connected to the provision of investment services	

1.2. Purpose

The present report is prepared by BROCTAGON PRIME LTD (the "Company"), a Cyprus Investment Firm ("CIF") authorized and regulated by the Cyprus Securities and Exchange Commission (the "CySEC", the "Commission") under the license number 320/17 which operates in harmonisation with the Markets in Financial Instruments Regulation and Directive ("MiFIR" & "MiFID II" respectively).

In accordance with Regulation (EU) No. 575/2013 (the Capital Requirements Regulation, "CRR"), the Company is required to disclose information relating to its risk management, capital structure and capital adequacy as well as the most important characteristics of the Company's corporate governance including its remuneration system. The scope of this report is to promote market discipline and to improve transparency of market participants.

This document is updated and published annually; it will, however, be published more frequently if there are significant changes to the business (such as changes to the scale of operations, range of activities, etc.).

The 2020 Pillar III Disclosures Report sets out both quantitative and qualitative information required in accordance with Part 8 of the CRR, which set the requirements of the disclosures.

The information contained in the Pillar III Market Discipline and Disclosure Report is audited by the Firm's external auditors and published on the Company's websites at http://www.broprime.com on an annual basis.

Furthermore, the Board of Directors and the Senior Management have the overall responsibility for the internal control systems in the process of capital adequacy assessment and they have established effective processes to ensure that the full spectrum of risks faced by the Company is properly identified, measured, monitored and controlled to minimise adverse outcomes.

The Company's business effectiveness is based on the guidelines of the risk management policies and procedures put in place. The Board of Directors, Internal Audit, Risk Manager, Compliance and Anti-Money Laundering Officer control and supervise the overall risk system so that all units charged with risk management perform their roles effectively on a continuous basis.

As with all Investment Firms, the Company is exposed to a variety of risks and in particular to credit risk, market risk and operational risk. More information can be found in the sections below.

The Company is making the disclosures on a solo basis.

1.3. The Company

The Company mainly operates in Europe, offering MiFID II regulated financial instruments with a particular focus on Foreign Exchange ("Forex") and Contracts for Difference ("CFDS"). It has 8 employees located in Cyprus on a full time basis.

The Company pursues a stable business model, trying to maintain a well-balanced allocation in its operations and geographically balanced strategy with a diversified customer base. Furthermore, it ensures that compliance rules are strictly respected, especially in the area of anti-money laundering and counterterrorism financing.

The Company's growth strategy focuses on its existing areas of expertise and the quality of its customer base. The Company strives for sustainable profitability consistent with its cost of capital and a balanced business model. To this end, the Company:

- Seeks to contain the volatility of its results
- Calibrates its capital ratio to ensure a significant safety margin relative to the minimum regulatory requirements
- Monitors the stability and diversification of its funding sources
- Ensures sufficient resilience in scenarios of liquidity shortages
- Tightly controls its foreign-exchange risks

The Company aims to maintain a diversified customer base.

The Company ensures that compliance rules are rigorously respected, especially in the area of anti-money laundering and counterterrorism financing. The Company monitors the loyalty of the behaviour of its employees with regard to customers and all its stakeholders, as well as the integrity of its investment and financial practices.

The Company considers its reputation to be an asset of great value that must be protected to ensure its sustainable development. The prevention and detection of the risk of harm to its reputation are integrated within all the Company's operating practices. The Company's reputation is protected by making its employees aware of the values of responsibility, ethical behaviour and commitment.

1.4. Regulatory Supervision

All CIFs under CySEC's authority must meet the requirements with respect to capital adequacy and market discipline, as per the below legal framework:

- Law 87(I)/2017 regarding the provision of investment services, the exercise of investment activities and the operation of regulated markets (hereafter "the Law")
- Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012
- Regulation (EU) No. 575/2013 – Capital Requirements Regulation ("CRR")
- Regulation (EU) No. 648/2012 – European Markets Infrastructure Regulation
- Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC – Capital Requirements Directive IV ("CRD IV")

2. Governance and Risk Management

Implementing a high-performance and efficient risk management structure is a critical undertaking for the Company, in all businesses, markets and regions in which it operates, as are maintaining a strong risk culture and promoting good corporate governance. The Company's risk management, supervised at the highest level is compliant with the regulations enforced by CySEC and the European regulatory framework.

2.1. Types of Risks

The Company operates in the complex financial services industry and in line with its business models the below risks are considered as the most prominent, hence are continuously monitored in order for exposures to be mitigated the soonest possible:

- **Credit and Counterparty risk** (including Country risk): risk of losses arising from the inability of the Company's customers, issuers or other counterparties to meet their financial commitments. Credit risk includes Counterparty risk linked to market transactions (Replacement risk) and securitisation activities. In addition, Credit risk may be further amplified by Concentration risk, which arises from a large exposure to a given risk, to one or more counterparties, or to one or more homogeneous groups of counterparties; Country risk arises when an exposure (loan, security, guarantee or derivative) becomes liable to negative impact from changing political, economic, social and financial conditions in the country of exposure.
- **Market risk**: risk of a loss of value on financial instruments arising from changes in market parameters, the volatility of these parameters and correlations between them. These parameters include but are not limited to exchange rates, interest rates, and the price of securities (equity, bonds), commodities, derivatives and other assets, including real estate assets.

- **Operational risks** (including Accounting and Environmental risks): risk of losses arising from inadequacies or failures in internal procedures, systems or staff, or from external events, including low-probability events that entail a high risk of loss.
- **Liquidity risk**: risk of the Company not being able to meet its cash or collateral requirements as they arise and at a reasonable cost.
- **Compliance risk** (including Legal and Tax risks): risk of legal, administrative or disciplinary sanction, or of material financial losses, arising from failure to comply with the provisions governing the Company's activities.
- **Reputational risk**: risk arising from a negative perception on the part of customers, counterparties, shareholders, investors or regulators that could negatively impact the Company's ability to maintain or engage in business relationships and to sustain access to sources of financing.
- **Strategic risk**: risks inherent in the choice of a given business strategy or resulting from the Company's inability to execute its strategy.
- **Business risk**: risk of lower than anticipated profits or experiencing losses rather than a profit.

2.2. Risk Appetite

The Company defines Risk Appetite as the level of risk, by type and by business that the Company is prepared to incur given its strategic targets. The Risk Appetite Framework weights earning sensitivities to business cycles versus credit, market and operational events. The Risk Appetite is one of the strategic oversight tools available to the Management bodies. It underpins the budgeting process and draws on the ICAAP, which is also used to ensure capital adequacy under stressed economic scenarios.

Key Risk Appetite metrics

For 2020, our key risk appetite metrics can be seen below. These two simple but important metrics helped us remain within our risk appetite and are the basis onto which our Internal Capital Adequacy Assessment Process forms.

Level	**CET 1 ratio**	**Total Ratio**
● Normal	> 10%	> 12%
● Manageable	10% - 8%	12 % - 10%
● Critical	< 8%	< 10%

Level	**Own Funds**
● Normal	> $1,200,000
● Manageable	$1,000,000 – $1,200,000
● Critical	< $1,000,000

Furthermore, the positioning of the business in terms of risk/return ratio as well as the Company's risk profile by type of risk are analysed and approved by the BoD. The Company's risk appetite strategy is implemented by the Senior Management in collaboration with the BoD and applied by all divisions through an appropriate operational steering system for risks, covering the whole Governance, Risk and Compliance ("GRC") spectrum.

Essential indicators for determining the Risk Appetite are regularly monitored over the year to detect any events that may result in unfavourable developments on the Company's risk profile. Such events may give rise to remedial action.

2.3. Internal Capital Adequacy Assessment Process

The Internal Capital Adequacy Assessment Process ("ICAAP") requires institutions to identify and assess risks not adequately covered in Pillar I, maintain sufficient capital to face these risks and apply appropriate risk-management techniques to maintain adequate capitalization on an ongoing and forward-looking basis, i.e., internal capital supply to exceed internal capital demand.

The Company is considering the time and requirements to initiate the update of its ICAAP report, based on the results of 2021 since the last update of the report took place based on the results of 2020.

2.4. Stress Tests

Stress testing is a key risk management tool used by the Company to rehearse the business response to a range of scenarios, based on variations of market, economic and other operating environment conditions. Stress tests are performed for both internal and regulatory purposes and serve an important role in:

- Understanding the risk profile of the Company
- The evaluation of the Company's capital adequacy in absorbing potential losses under stressed conditions: This takes place in the context of the Company's ICAAP on an annual basis
- The evaluation of the Company's strategy: Senior management considers the stress test results against the approved business plans and determines whether any corrective actions need to be taken. Overall, stress testing allows senior management to determine whether the Company's exposures correspond to its risk appetite
- The establishment or revision of limits: Stress test results, where applicable, are part of the risk management processes for the establishment or revision of limits across products, different market risk variables and portfolios

The ultimate responsibility and ownership of the Company's stress testing policy rests with the Board of Directors. If the stress testing scenarios reveal vulnerability to a given set of risks, the management should make recommendations to the Board of Directors for mitigation measures or actions. These may vary depending on the circumstances and include one or more of the following:

- Review the overall business strategy, risk appetite, capital and liquidity planning
- Review limits
- Reduce underlying risk positions through risk mitigation strategies
- Consider an increase in capital
- Enhance contingency planning

The Company performs financial modelling and stress analysis on a frequent basis especially when year-end financial results are available or when it revises its business plan.

2.5. Risk Management Committee

The Risk Management Committee advises the Board of Directors on the overall strategy and the appetite to all kinds of risks, both current and future, and helps the Board when it verifies that this strategy is implemented. It is responsible for:

- Reviewing the risk control procedures and is consulted about setting overall risk limits
- Reviewing on a regular basis the strategies, policies, procedures and systems used to detect, manage and monitor the liquidity risk and submitting its conclusions to the Board of Directors
- Reviewing the policies in place and the reports prepared to comply with the regulations on internal control
- Reviewing the policy concerning risk management and the monitoring of off-balance sheet commitments, especially considering the memoranda drafted to this end by the without prejudice to the Compensation Committee's missions, reviewing whether the incentives provided by the compensation policy and practices are compatible with the Company's situation with regard to the risks it is exposed to, its share capital, its liquidity and the probability and timing of expected benefits

The Risk Management Committee held 1 (one) meeting in 2020 as follows:

Date	Agenda
2nd September 2020	• Review and approval of ICAAP

2.6. Diversity Policy

Diversity is increasingly seen as an asset to organizations and linked to better economic performance. It is an integral part of how the Company does business and imperative to commercial success.

The Company recognizes the value of a diverse and skilled workforce and management body, which includes and makes use of differences in the age, skills, experience, background, race and gender between them. A balance of these differences will be considered when determining the optimum composition.

The Company is committed to creating and maintaining an inclusive and collaborative workplace culture that will provide sustainability for the organization into the future. This is also documented as best practises in the Corporate Governance Code of many EU countries.

In line with the recent changes in the regulatory reporting framework, the Company is in the process of establishing a dedicated diversity policy in relation to the Management body.

2.7. Board Recruitment

One of the BoD's main responsibilities is to identify, evaluate and select candidates for the Board and ensure appropriate succession planning. The Senior Management is assigned the responsibility to review the qualifications of potential director candidates and make recommendations to the BoD.

The persons proposed for the appointment should have specialised skills and/or knowledge to enhance the collective knowledge of the BoD and must be able to commit the necessary time and effort to fulfil their responsibilities.

Factors considered in the review of potential candidates include:

- Specialised skills and/or knowledge in accounting, finance, banking, law, business administration or related subject
- Knowledge of and experience with financial institutions ("fit-and-proper")
- Integrity, honesty and the ability to generate public confidence
- Knowledge of financial matters including understanding financial statements and financial ratios
- Demonstrated sound business judgment
- Risk management experience

The Company has established a dedicated recruitment policy in relation to the BoD.

2.8. Remuneration

Remuneration refers to payments or compensations received for services or employment. The remuneration system includes the base salary and any bonuses or other economic benefits that an employee or executive receives during employment. These benefits are frequently reviewed in order to always be appropriate to the CIF's size, internal organization and the nature, scope and complexity of its activities.

During 2020, the Company's remuneration system is concerned with practices of the Company for those categories of staff whose professional activities have a material impact on its risk profile, i.e. the Senior Management, members of the Board of Directors and the Heads of the Departments; the said practices are established to ensure that the rewards for the 'Executive Management' provide the right incentives to achieve the key business aims.

The total remuneration of staff consists of fixed and variable components. Fixed and variable components are appropriately balanced, and the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component.

Table 2: Aggregate Quantitative Information on Remuneration broken down by business area

Business Area	Number of staff	Fixed	Variable	Non-cash	Total
Board of Directors	5	134	0	0	134
Heads of Departments (Excluding Board)	4	83	0	0	83
Grand Total	9	217	0	0	217

2.9. Directorships held by Members of the Management Body

In 2020, the members of the Management body of the Company, given their industry experience, have been taking seats in other Company boards. In line with this, the following table indicates the number of positions that each member holds.

Table 3: Directorships held by Members of the Management Body

Name	Position in the CIF	Directorships (Executive)	Directorships (Non-Executive)
Theodoros Photiou	Independent Non-Executive Director	-	2
Angelos Stylianou	Independent Non-Executive Director	-	1
Pantelakis Michael	Executive Director	1	
Soh Kai Jun	Non-Executive Director	-	1
Nicos Zalistis	Executive Director	1	-

2.10. Reporting and Control

In line with the requirements set out in the Cyprus Investment Firms Law and subsequent Directives, the Company has been able to maintain a good information flow to the Management body, as it can be seen below:

Table 4: Periodic Reporting Summary

Report	Description	Responsible Person	Recipients	Frequency	Due Date
Annual Compliance Report	To inform the Senior Management & the BoD of the Company regarding the Performance of Compliance function during the year	Compliance Officer	BoD, CySEC	Annual	**30/04/2021**
Annual Internal Audit Report	To inform the Senior Management & the BoD of the Company regarding the Internal Auditor during the year	Internal Auditor	BoD, CySEC	Annual	**30/04/2021***
Annual Risk Management Report	Represents the work & activities undertaken by the Risk Manager during the year	Risk Manager	BoD, CySEC	Annual	**30/04/2021**
Annual Anti-Money Laundering Compliance Report	To inform the Senior Management & the BoD of the Company regarding the Performance of Anti-Money Laundering function during the year	AML Compliance Officer	BoD, CySEC	Annual	**31/03/2021****
Pillar III Disclosures (Market Discipline and Disclosure	The Company is required to disclose information regarding its risk management, capital structure, capital adequacy and risk exposures	Risk Manager	BoD, CySEC, Public	Annual	**30/04/2021**
Financial Reporting	It is a formal record of the financial activities of the CIF	External Auditor	BoD, CySEC	Annual	**30/04/2021**
Capital Adequacy Reporting	A measure of the CIF's capital. It is expressed as a percentage and is used to monitor and promote the stability and efficiency of financial systems all over the world	Risk Manager / Accounting	Senior Management, CySEC	Quarterly	**11/05/2020** **11/08/2020** **11/11/2020** **11/02/2021**

*Submission deadline has been extended to 30th June 2021, amid the impact of COVID-19. This is related to the AML part of the report (i.e. sections 6.4 and 6.5)

**Submission deadline has been extended to 31st May 2021, amid the impact of COVID-19

3. Capital Management and Adequacy

Capital management and adequacy of liquid funds are paramount priorities of both regulators and investment firms. The Company, operates in line with these priorities, continuously monitoring its capital reserves and risk exposures. This is currently performed in accordance with the Capital Requirements Regulation.

3.1. Regulatory Capital

In line with the International Financial Reporting Standards (IFRS) and CRR, the Company's regulatory capital mainly consists of Common Equity Tier 1 Capital.

Common Equity Tier 1 capital is composed primarily of ordinary shares (net of repurchased shares and treasury shares) and related share premium accounts and retained earnings. Other components can be included only if they are in accordance with the strict CRR rules. Additionally, and in line with the above, deductions from the Common Equity Tier 1 capital involve mainly the removal of current year loses, estimated dividend payments as well as goodwill and intangible assets.

In some cases, additional capital tiers can come into force such as the Tier 2 Capital which could introduce the use of loans to support the business and operational capital. Such loans are highly regulated and are always subordinated to other claims.

3.2. Capital Adequacy Ratio

The capital (adequacy) ratio is a key metric for a financial institution and is calculated by comparing the institutions' capital base with the sum of risk-weighted assets from 3 major risk categories (credit, market, operational risk). The calculation always follows a strict set of rules defined in CRR. The minimum Total Capital Ratio that must be maintained **AT ALL** times is 8%.

In addition, in line with the requirement to hold addition capital conservation buffer ("CCB"), the Company is expected to apply by 01 January 2021 a CCB of 2.5% in addition to the 8%.

3.3. Capital Management

Capital management is implemented by the Senior Management. As part of managing its capital, the Company ensures that its solvency level is always compatible with the following objectives:

- Maintaining its financial solidity and respecting the Risk Appetite targets
- Preserving its financial flexibility to finance organic growth
- Adequate allocation of capital among the various business lines according to the Company's strategic objectives
- Maintaining the Company's resilience in the event of stress scenarios
- Meeting the expectations of its various stakeholders: supervisors, debt and equity investors, rating agencies, and shareholders

The Company determines its internal capital adequacy targets in accordance with these.

In line with the above, the Company is obligated to calculate and report on a quarterly basis, under CRD, its credit risk, market risk and operational risk, the result of which, i.e. capital ratio, needs to be above 8% at all times.

At 31st December 2020 the Total Capital ratio of the Company was 14.29% with total risk-weighted assets of USD 5.012 thousand.

Table 5: Capital Requirements

$ thousands	**Dec 31, 2020 (Audited)**	**Dec 31, 2019 (Audited)**
CAR Ratio	14.29%	15.78%
CAR Ratio surplus	6.29%	5.91%
Capital Adequacy (CET1) ratio	14.29%	15.78%
CET1 Capital	6.420	1.607
Tier 1 Capital	6.420	1.607
Tier 2 Capital	0	0
Total Own Funds	6.420	1.607
Total Own Funds surplus	5.524	709
Total Credit Risk Exposure	5.012	613
Total Market Risk Exposure	36.129	8.081
Operational Risk Exposure	3.780	1.485
Total Risk Exposure	44.921	10.179
Leverage ratio	62.63%	84.52%
Capital Conservation Buffer	1.123	254

Table 6: Regulatory Capital

$ thousands	**Dec 31, 2020 (Audited)**	**Dec 31, 2019 (Audited)**
Common Equity Tier 1 (CET 1) capital: instruments and reserves		
Capital instruments and the related share premium accounts	3.419	1.369
Retained earnings	205	414
Accumulated other comprehensive income (loss), net of tax	2.864	(103)
Other	0	
Common Equity Tier 1 (CET 1) capital before regulatory adjustments	6.488	1,680
Common Equity Tier 1 (CET 1) capital: regulatory adjustments		
Goodwill and other intangible assets (net of related tax liabilities) (negative amount)	0	(9)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liabilities where the conditions in Art. 38 (3) CRR are met) (negative amount)	0	0
Direct, indirect and synthetic holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 15 % threshold and net of eligible short positions) (negative amount)	0	0
Other regulatory adjustments	(68)	(64)
Total regulatory adjustments to Common Equity Tier 1 (CET 1) capital	(68)	(73)
Common Equity Tier 1 (CET 1) capital	6.420	1.607
Additional Tier 1 Capital	0	0
Tier 1 Capital	6.420	1.607
Tier 2 Capital	0	0
Total Capital	6.420	1.607
Total risk-weighted assets	44.921	10.179
Capital Ratios		
Common Equity Tier 1 (CET 1) capital ratio	14.29%	15.78%
Tier 1 Capital ratio	14.29%	15.78%
Total Capital ratio	14.29%	15.78%

3.4. Leverage

Leverage is the amount of debt used to finance a firm's assets. It is used as a measure of the resilience of a financial institution.

The Capital Requirements framework introduced a simple, transparent, non-risk based leverage ratio to act as a credible supplementary measure to the risk-based capital requirements intending to:

- restrict the build-up of leverage in the financial sector to avoid destabilising deleveraging processes that can damage the broader financial system and the economy; and
- reinforce the risk-based requirements with a simple, non-risk based “backstop” measure.

At the end of 2020 the Company’s leverage ratio was 62.63%%.

Table 7: Leverage ratio common disclosure

$ thousands	**CRR leverage ratio exposures**
On-balance sheet exposures (excluding derivatives and SFTs)	0
Derivative exposures	0
Securities financing transaction exposures	0
Derivatives Add-on under the mark-to-market method	0
Other off-balance sheet exposures	10.250
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)	
Tier 1 capital	6.420
Total leverage ratio exposures	10.250
Leverage ratio	62.63%

Table 8: Split-up of on balance sheet exposures

$ thousands	**CRR leverage ratio exposures**
Trading book exposures	0
Banking book exposures, *of which*:	0
Covered bonds	0
Exposures treated as sovereigns	0
Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	0
Institutions	9.082
Secured by mortgages of immovable properties	0
Retail exposures	0
Corporate	674
Exposures in default	0
Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	494
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures)	10.250

4. Credit Risk

Credit risk corresponds to the risk of losses arising from the inability of the Company's customers, issuers or other counterparties to meet their financial commitments.

The Company's credit risk mainly arises:
- By the Company's deposits in credit and financial institutions
- By assets mainly held from debtors or prepayments made

The Company follows the Standardized Approach under Pillar I for calculating its Credit Risk Capital Requirements, as specified in CRR. It categorizes the assets in respect to their exposure class and uses the Credit Step methodology to determine its respective Risk Weights (RW).

The Company follows both regulatory and compliance-oriented credit risk mitigation ("CRM") strategies in order to minimize the possibility of occurrence of this risk, such as:
- All Client funds are held in segregated accounts, separated from Company's funds.
- The Company maintains regular credit review of counterparties, identifying the key risks faced and reports them to the Board of Directors, which then determines the firm's risk appetite and ensures that an appropriate amount of capital is maintained.
- In order to maintain its Credit risk to the minimum, the Company is using EU credit institutions for safekeeping of funds and always ensures that the banks it cooperates with have high ratings based on top credit rating agencies (Moody's, S&P or Fitch), it frequently monitors their compliance with the EU regulatory framework and diversifies the funds over several credit institutions thus mitigating the risk exposure efficiently.

Further to the above, the Company has policies to diversify credit risk and to limit the amount of credit exposure to any particular counterparty in compliance with the requirements of the Regulation (EU) No. 575/2013.

Concentration Risk
Concentrations are measured using a standardised model and individual concentration limits are defined for large exposures. Any concentration limit breach is managed over time by reducing exposures.

4.1. External Ratings

For the purpose of calculating the capital requirements of the Company, mainly under the credit risk requirement, the external credit ratings from **Moody's Analytics** have been applied for the exposure classes listed below:
- Exposures to central governments or central banks
- Exposures to institutions
- Exposures to corporates

The general association with each credit quality step complies with the standard association published by CySEC as follows:

Credit Quality Step	Moody's Rating	Institution Risk Weight (Below 3 months)	Institution Risk Weight (Above 3 months)	Sovereigns Risk Weight	Corporate Risk Weight
1	**Aaa to Aa3**	**20%**	**20%**	**0%**	**20%**
2	**A1 to A3**	**20%**	**50%**	**20%**	**50%**
3	**Baa1 to Baa3**	**20%**	**50%**	**50%**	**100%**
4	**Ba1 to Ba3**	**50%**	**100%**	**100%**	**100%**
5	**B1 to B3**	**50%**	**100%**	**100%**	**150%**
6	**Caa1 and below**	**150%**	**150%**	**150%**	**150%**

For exposures to regional governments or local authorities, public sector entities and institutions, the external ratings are applied in the following priority (i) Issue/Exposure (ii) Issuer/Counterparty (iii) Sovereign.

For exposures to central governments or central banks and corporates the external ratings are applied in the following priority (i) Issue/Exposure (ii) Issuer/Counterparty.

Please note that the external ratings are not considered where exceptions or discretions as per the CRR apply.

4.2. Exposure Analysis

The credit exposures in this section are measured using the standardized approach. Exposures are broken down by sectors and obligor ratings.

At 31st December 2020, the Company's capital requirements for credit risk amounted to USD 401 thousand (USD 5.012 thousand total risk-weighted credit risk exposure), including credit counterparty risk. The tables below indicate the Company's credit risk exposure.

Table 9: Asset Class Breakdown of Net Credit Risk Exposure and Minimum Capital Requirement as at 31 December 2020, $ thousands

Asset Class	Net value of exposures at the end of the period	Minimum capital requirement
Central governments or central banks	0	0
Public sector entities	0	0
Institutions	3.610	289
Corporates	907	73
Of which: SMEs	0	0
Retail	0	0
Of which: SMEs	0	0
Equity exposures	0	0
Other exposures	495	39
Total risk weighted assets	5.012	
Total Credit Risk Capital Requirements		401

Table 10: Exposures Post Value Adjustments (before applying Credit Risk Mitigation and after applying credit conversion factors) by Exposure Class, $ thousands

Asset class	Exposure before CRM	Exposure after CRM
Central governments or central banks	0	0
Public sector entities	0	0
Institutions	3.610	3.610
Corporates	907	907
Of which: SMEs	0	0
Retail	0	0
Of which: SMEs	0	0
Equity exposures	0	0
Other exposures	495	495
Total risk weighted assets	5.012	5.012
Total Credit Risk Capital Requirements	401	401

Table 11: Exposures Post Value Adjustments (before applying Credit Risk Mitigation and after applying credit conversion factors) by Significant Geographic Area and Material Exposure Class, $ thousands

Asset class	Cyprus	United Kingdom	Other	Total
Central governments or central banks	0	0	0	0
Public sector entities	0	0	0	0
Institutions	2.242	650	718	3.610
Corporates	0	0	907	907
Of which: SMEs	0	0	0	0
Retail	0	0	0	0
Of which: SMEs	0	0	0	0
Equity exposures	0	0	0	0
Other exposures	495	0	0	495
Total risk weighted assets	2.737	650	1.625	5.012
Total Credit Risk Capital Requirements	219	52	130	401

Table 82: Exposures Post Value Adjustments (before applying Credit Risk Mitigation and after applying credit conversion factors) by Residual Maturity and by Material Exposure Class, $ thousands

Asset class	Up to 3 months	More than 3 months	Total
Central governments or central banks	0	0	0
Public sector entities	0	0	0
Institutions	3.610	0	3.610
Corporates	0	907	907
Of which: SMEs	0	0	0
Retail	0	0	0
Of which: SMEs	0	0	0
Equity exposures	0	0	0
Other exposures	0	495	495
Total risk weighted assets	3.610	1.402	5.012
Total Credit Risk Capital Requirements	289	112	401

Table 93: Credit Quality Concentration, $ thousands

Credit Quality Step	Exposure before CRM	Exposure after CRM
1	1.384	1.384
2	0	0
3	0	0
4	0	0
5	2.736	2.736
6	0	0
Unrated	892	892
Total	5.012	5.012

5. Market Risk

Market risk corresponds to the risk of a loss of value on financial instruments arising from changes in market parameters, the volatility of these parameters and correlations between them. These parameters include but are not limited to exchange rates, interest rates, and the price of securities (equity, bonds), commodities, derivatives and other assets, including real estate assets.

As mentioned above, in the context of Pillar I, market risk mainly arises as:

Position Risk: It refers to the probability of loss associated with a particular trading/security (long or short) position due to price changes.

Interest rate risk: The risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Commodities Risk: It refers to the uncertainties of future market values and of the size of the future income, caused by the fluctuation in the prices of commodities. These commodities may be oil, metals, gas, electricity etc.

Foreign Exchange Risk: It is a financial risk that exists when a financial transaction is denominated in a currency other than the base currency of the company. The foreign exchange risk in the Company is effectively managed by the establishment and control of foreign exchange limits, such as through the establishment of maximum value of exposure to a currency pair as well as through the utilization of sensitivity analysis.

The Company monitors these exposures on a quarterly basis and has policies to minimize its market risk exposures which are in accordance with the CRR.

In 2020, the Company's market risk mainly emanated from foreign exchange fluctuations which affect the Company's deposits in banks or reserves held that are denominated in foreign currencies as well as from positions held during FX trading or positions held in assets denominated in foreign currencies.

5.1. Exposure Analysis

The Company's capital requirements related to market risk are mainly determined using the standardized approach.

The Company's had the following exposures in relation to Market Risk as at 31st December 2020 as shown in the table below:

Table 104: Market risk capital requirements

$ thousands	RWAs	Capital Requirements
Foreign exchange risk & Gold	22.834	1.827
Equity risk	4.570	366

Commodity risk	8.731	699
Total	36.137	2.891

6. Operational Risk

Operational risks (including accounting and environmental risks) correspond to the risk of losses arising from inadequacies or failures in internal procedures, systems or staff, or from external events, including low-probability events that entail a high risk of loss. This section describes the monitoring of the Company's operational risk, in addition to providing an analysis of the Company's operational risk profile and regulatory capital requirements.

The Company has developed processes, management tools and a control infrastructure to enhance the Company-wide control and management of the operational risks that are inherent in its various activities. These include, among others, general and specific procedures, permanent supervision, business continuity plans, and functions dedicated to the oversight and management of specific types of operational risks, such as fraud, risks related to external service providers, legal risks, information system security risks and compliance risks.

In order to control the exposure to operational risks, the management has established two key objectives:

- To minimise the impact of losses suffered, both in the normal course of business (small losses) and from extreme events (large losses).
- To improve the effective management of the Company and strengthen its brand and external reputation.

The Company recognises that the control of operational risk is directly related to effective and efficient management practices and high standards of corporate governance.

To that effect, the management of operational risk is geared towards:

- Maintaining a strong internal control governance framework.
- Managing operational risk exposures through a consistent set of processes that drive risk identification, assessment, control and monitoring.

The Company implements the below Operational Risk Mitigation Strategies in order to minimize its Operational Risk Exposure:

- The development of operational risk awareness and culture.
- The provision of adequate information to the Company's management, in all levels, in order to facilitate decision making for risk control activities.
- The implementation of a strong system of internal controls to ensure that operational losses do not cause material damage to the Company and have a minimal impact on profitability and objectives.
- The improvement of productivity, efficiency and cost effectiveness, with an objective to improve customer service and protect shareholder value.
- Established a "four-eye" structure and board oversight. This structure ensures the separation of power regarding vital functions of the Company namely through the existence of a Senior Management. The Board further reviews any decisions made by the Management while monitoring their activities;
- Detection methods are in place in order to detect fraudulent activities;
- Comprehensive business contingency and disaster recovery plan.

The Senior Management employs specialized tools and methodologies to identify, assess, mitigate and monitor operational risk. These specialized tools and methodologies assist operational risk management to address any control gaps. To this effect, the following are implemented:

- Incident collection
- Key Risk Indicators
- Business Continuity Management
- Training and awareness

6.1. Exposure Analysis

For the calculation of operational risk in relation to the capital adequacy returns, the Company uses the basic indicator approach.

Based on the relevant calculations the Company's capital requirement in respect to operational risk, as at 31 December 2020, was USD 302 thousand, while the risk-weighted exposure was USD 3.780 thousand.

7. Liquidity risk

Liquidity risk corresponds to the risk of the Company not being able to meet its cash or collateral requirements as they arise and at a reasonable cost.

The Company's primary objective is to ensure the funding of its activities in the most cost-effective way by managing liquidity risk and adhering to regulatory constraints. The liquidity system aims at providing a balance sheet framework with assets and liabilities target structure that is consistent with the risk appetite defined by the Board of Directors:

- The assets structure should allow the businesses to develop their activities in a way that is liquidity-efficient and compatible with the target liabilities structure.
- The liabilities structure is based on the ability of the businesses to collect financial resources from customers and the ability of the Company to sustainably raise financial resources on the markets, in accordance with its risk appetite

The principles and standards applicable to the management of liquidity risks are defined by the Company's governing bodies, whose duties in the area of liquidity are listed below:

- The Company's Board of Directors (i) establishes the level of liquidity risk tolerance as part of the Risk Appetite exercise, (ii) meets regularly to examine the Company's liquidity risk situation, on a quarterly basis
- The Senior Management (i) sets budget targets in terms of liquidity (ii) allocates liquidity to the pillars

To minimize its exposure to liquidity risk, the CIF implements the below Liquidity Risk Mitigation Strategies:

- Regular analysis & reporting to the Board of Directors on the funding needs of the Company
- Monitoring of the Company's exposures and diversification to avoid rise of concentration risk as per the internal policies
- Cash Management

The Company has undertaken a specific review of its liquidity risks and believes that it is able to meet its upcoming maturities.

The Company is taking due care in safeguarding these assets and performs the following mitigation strategies:

- These assets are held by the Company in a fiduciary capacity and are not included in the Company's funds nor its financial statements
- The funds are held in client segregated bank accounts
- Frequent reconciliations are performed internally and also from the External Auditors which also are tasked to verify and submit to CySEC annual reports

8. Compliance, Reputational and Legal Risks

Compliance risk (including legal and tax risks) corresponds to the risk of legal, administrative or disciplinary sanction, or of material financial losses, arising from failure to comply with the provisions governing the Company's activities.

Compliance means acting in accordance with applicable regulatory rules, as well as professional, ethical and internal principles and standards. Fair treatment of customers, with integrity, contributes decisively to the reputation of the Company.

By ensuring that these rules are observed, the Company works to protect its customers and, in general, all of its counterparties, employees, and the various regulatory authorities to which it reports.

Compliance Department

Independent compliance structures have been set up within the Company's different business lines around the world to identify and prevent any risks of non-compliance.

The Compliance Officer verifies that all compliance laws, regulations and principles applicable to the Company's services are observed, and that all staff respect codes of good conduct and individual compliance. The Compliance Officer also monitors the prevention of reputational risk and provides expertise for the Company performs controls at the highest level and assists with the day-to-day operations. The Compliance Officer is responsible for:

- The Company's financial security (prevention of money laundering and terrorism financing; know-your-customer obligations; embargoes and financial sanctions)
- Developing and updating consistent standards for the function, promoting a compliance culture, coordinating employee training and managing Company regulatory projects
- Coordinating a compliance control mechanism within the Company (second-level controls), overseeing a normalised Compliance process, oversight of personnel operations and, finally, managing large IT projects for the function
- Preventing and managing conflicts of interest
- Proposing ethical rules to be followed by all Company employees
- Training and advising employees and raise their awareness of compliance issues
- Building and implementing steering and organisational tools for the function: Compliance and Reputational Risk dashboards, forums to share best practices, meetings of functional compliance officers
- Generally monitoring subjects likely to be harmful to the Company's reputation

8.7. Prevention of Money Laundering and Terrorism Financing

Money laundering and terrorist financing risk mainly refers to the risk where the Company may be used as a vehicle to launder money and/or assist/involved in financing terrorism.

The Company has in place and is updating as applicable, certain policies, procedures and controls in order to mitigate the money laundering and terrorist financing risks. Among others, these policies, procedures and controls include the following:

- The adoption of a risk-based approach that involves specific measures and procedures in assessing the most cost effective and appropriate way to identify and manage the Money Laundering and Terrorist Financing risks faced by the Company
- The adoption of adequate Client due diligence and identification procedures in line with the Clients' assessed Money Laundering and Terrorist Financing risk
- Setting certain minimum standards of quality and extent of the required identification data for each type of Client (e.g. documents from independent and reliable sources, third party information)
- Obtaining additional data and information from Clients, where this is appropriate and relevant, for the proper and complete understanding of their activities and source of wealth and for the effective management of any increased risk emanating from a particular Business Relationship or an Occasional Transaction
- Monitoring and reviewing the business relationship or an occasional transaction with clients and potential clients of high risk countries
- ensuring that the Company's personnel receive the appropriate training and assistance

The Company is frequently reviewing its policies, procedures and controls with respect to money laundering and terrorist financing to ensure compliance with the applicable legislation and incorporated, as applicable, any new information issued/available in this respect.

9. Reference table to CRR

CRR Ref	High Level Summary	Compliance Reference
Scope of disclosure requirements		
431(1)	Requirement to publish Pillar III disclosures.	Paragraph 1.2
431(2)	Disclosure of operational risk information.	Paragraph 6
431(3)	Institution must have a policy covering frequency of disclosures. Their verification, comprehensiveness and overall appropriateness.	Paragraph 1.1
431(4)	Explanation of ratings decisions to SMEs upon request.	N/A
Frequency of disclosure		
433	Disclosures must be published once a year at a minimum, in conjunction with the date of publication of the financial statements.	Paragraph 1.2
Means of disclosures		
434(1)	To include disclosures in one appropriate medium or provide clear cross-references to other media.	Paragraph 1.2
434(2)	Equivalent disclosures made under other requirements (i.e., accounting) can be used to satisfy Pillar III if appropriate.	Paragraph 1.2
Risk management objectives and policies		
435(1) (a)	Disclosure of information as regards strategies and processes, organisational structure of the relevant risk management function, reporting and measurement systems and risk mitigation/hedging policies	Paragraph 2
435(1) (b)		Paragraph 2
435(1) (c)		Paragraph 2
435(1) (d)		Paragraph 2
435(1) (e)	Declaration approved by the BoD on adequacy of risk management arrangements	Paragraph 2
435(1) (f)	Concise risk statement approved by the BoD	Paragraph 2
435(2)	Information, once a year at a minimum, on governance arrangements.	Paragraph 2
435(2) (a)	Number of directorships held by members of the BoD.	Paragraph 2.8
435(2) (b)	Recruitment policy of BoD members, their experience and expertise.	Paragraph 2.6
435(2) (c)	Policy on diversity of BoD members, its objectives and results against targets.	Paragraph 2.5
435(2) (d)	Disclosure of whether a dedicated risk committee is in place, and number of meetings in the year.	Paragraph 2.4
435(2) (e)	Description of information flow on risk to BoD.	Paragraph 2.9
Scope of application		
436(a)	Name of institution.	Paragraph 1.1
436 (b)	Difference on the basis of consolidation for accounting and prudential purposes, naming entities that are:	N/A
436 (b) (i)	Fully consolidated;	N/A
436 (b) (ii)	Proportionally consolidated;	N/A
436 (b) (iii)	Deducted from own funds;	N/A
436 (b) (iv)	Neither consolidated nor deducted.	N/A
436 (c)	Impediments to transfer of funds between parent and subsidiaries.	N/A
436 (d)	Capital shortfalls in any subsidiaries outside of scope of consolidation and their names (if any).	N/A
436 (e)	Use of articles on derogations from (a) prudential requirements or (b) liquidity requirements for individual subsidiaries / entities.	N/A

Own Funds		
437 (1)	Requirements regarding capital resources table	Paragraph 3.3
437 (1)		Paragraph 3.3
437 (1) (a)		Paragraph 3.3
437 (1) (b)		Paragraph 3.3
437 (1) (c)		Paragraph 3.3
437 (1) (d) (i)		Paragraph 3.3
437 (1) (d) (ii)		Paragraph 3.3
437 (1) (d) (iii)		Paragraph 3.3
437 (1) (e)		Paragraph 3.3
437 (1) (f)		Paragraph 3.3
437(2)	EBA shall develop implementation standards for points (a), (b), (d) and (e) above	N/A
Capital Requirements		
438(a)	Summary of institution’s approach to assessing adequacy of capital levels.	Paragraph 2
438(b)	Result of ICAAP on demand from competent authority.	Paragraph 2
438(c)	Capital requirement amounts for credit risk for each Standardised approach exposure class (8% of risk-weighted exposure).	Paragraph 4
438(d)	Capital requirements amounts for credit risk for each Internal Ratings Based approach exposure class.	N/A
438(d) (i)		N/A
438(d) (ii)		N/A
438(d) (iii)		N/A
438(d) (iv)		N/A
438(e)	Capital requirements amount for market risk or settlement risk, or large exposures where they exceed limits.	Paragraph 5
438(f)	Capital requirement amounts for operational risk, separately for the basic indicator approach, the Standardised approach, and the advanced measurement approaches as applicable.	Paragraph 6.1.
Exposure to counterparty credit risk (CCR)		
439(a)	Description of methodology to assign internal capital and credit limits for counterparty credit exposures.	N/A
439(b)	Discussion of policies for securing collateral and establishing reserves.	N/A
439(c)	Discussion of policies as regards wrong-way exposures.	N/A
439(d)	Disclosure of collateral to be provided (outflows) in the event of a ratings downgrade.	N/A
439(e)	Derivation of net derivative credit exposure.	N/A
439(f)	Exposure values for mark-to-market, original exposure, standardised and internal model methods.	N/A
439(g)	Notional value of credit derivative hedges and current credit exposure by type of exposure.	N/A
439(h)	Notional amounts of credit derivative transactions for own credit, intermediation, bought and sold, by product type.	N/A
439(i)	Estimation of alpha, if applicable.	N/A
Credit Risk Adjustments		
442(a)	Definitions for accounting purposes of ‘past due’ and ‘impaired’.	N/A
442(b)	Approaches for calculating credit risk adjustments.	Paragraph 4.2

442(c)	Exposures post-value adjustments (before applying Credit Risk Mitigation and after applying credit conversion factors) by different types of exposures.	Paragraph 4.2
442(d)	Exposures post value adjustments (before applying Credit Risk Mitigation and after applying credit conversion factors) by significant geographic areas and material exposure classes.	Paragraph 4.2
442(e)		Paragraph 4.2
442(f)	Exposures post value adjustments by residual maturity and by material exposure class.	Paragraph 4.2
442(g)	Breakdown of impaired, past due, specific and general credit adjustments, and impairment charges for the period, by exposure class or counterparty type.	N/A
442(g) (i)		N/A
442(g) (ii)		N/A
442(g) (iii)		N/A
442(h)	Impaired, past due exposures, by geographical area, and amounts of specific and general impairment for each geography.	N/A
442(i)	Reconciliation of changes in specific and general credit risk adjustments.	N/A
442(i) (i)		N/A
442(i) (ii)		N/A
442(i) (iii)		N/A
442(i) (iv)		N/A
442(i) (v)		N/A
442 endnotes	Specific credit risk adjustments recorded to income statement are disclosed separately.	N/A
Unencumbered assets		
443	Disclosures on unencumbered assets.	N/A
Use of ECAI's		
444(a)	Names of the nominated ECAIs used in the calculation of Standardised approach RWAs, and reasons for any changes.	Paragraph 4
444(b)	Exposure classes associated with each ECAI.	Paragraph 4.2
444(c)	Description of the process used to transfer the issuer and issue credit assessments onto items not included in the trading book;	Paragraph 4.2
444(d)	Mapping of external rating to credit quality steps.	Paragraph 4.2
444(e)	Exposure values pre- and post-credit risk mitigation, by credit quality step.	Paragraph 4.2
Exposure to market risk		
445	Disclosure of position risk, large exposures exceeding limits, FX, settlement and commodities risk.	Paragraph 5
Operational Risk		
446	Disclosure of the scope of approaches used to calculate operational risk, discussion of advanced methodology and external factors considered.	Paragraph 6
Exposures in equities not included in the trading book		
447(a)	Differentiation between exposures based on their objectives and overview of the accounting techniques and valuation methodologies used.	N/A
447(b)	Recorded at fair value and actual prices of exchange traded equity where it is materially different from fair value.	N/A
447(c)	Types, nature and amounts of the relevant classes of equity exposures.	N/A
447(d)	Cumulative realised gains and losses on sales in the period.	N/A

447(e)	Total unrealised gains or losses, latent revaluation gains or losses and amounts included in Tier 1 capital.	N/A
Exposure to interest rate risk on positions not included in the trading book		
448(a)	Nature of interest rate risk and key assumptions in measurement models.	N/A
448(b)	Variation in earnings, economic value, or other measures used from upward and downward shocks to interest rates, by currency.	N/A
Remuneration Disclosures		
450	Remuneration Policy	Paragraph 2.8
Leverage		
451(1) (a)	Leverage ratio and analysis of total exposure measure, including reconciliation to financial statements, and derecognised fiduciary items.	Paragraph 3.4
451(1) (b)		Paragraph 3.4
451(1) (c)		Paragraph 3.4
451(1) (d)	Description of the risk management process to mitigate excessive leverage and factors that had an impact on the leverage ratio during the year.	Paragraph 3.4
451(1) (e)		Paragraph 3.4
451(2)	EBA shall develop implementation standards for points above.	Paragraph 3.4
Use of Credit Risk mitigation techniques		
453(a)	Policies and processes, and an indication of the extent to which the CIF makes use of on- and off-balance sheet netting.	N/A
453(b)	Policies and processes for collateral valuation and management.	N/A
453(c)	Description of types of collateral used by the CIF.	N/A
453(d)	Types of guarantor and credit derivative counterparty, and their creditworthiness.	N/A
453(e)	Information about market or credit risk concentrations within the credit mitigation taken.	N/A
453(f)	For exposures under either the Standardised or Foundation IRB approach, disclosure of the exposure value covered by eligible collateral.	N/A
453(g)	For exposures under either the Standardised or Foundation IRB approach, disclosure of the exposure covered by guarantees or credit derivatives.	N/A
Use of the Advanced Measurement Approaches to operational risk		
454	Description of the use of insurance or other risk transfer mechanisms for the purpose of mitigating operational risk.	N/A